

MEMORANDUM

To: City of Reno
From: Economic & Planning Systems
Subject: Fiscal Impact Analysis Guidelines
Date: April 22, 2019

The Economics of Land Use



Purpose of the Guidelines

The City of Reno requires fiscal impact analysis for certain development applications (see below). This memorandum provides guidelines for applicants to follow in terms of methodology and factors to utilize in preparation of a fiscal impact analysis. The purpose of the guidelines is for the City of Reno to receive consistent information regarding the impact of development requests and to have a more streamlined, consistent approach for evaluating fiscal impact analysis findings for development applications reviewed by Planning Commission and City Council.

Applicability

A fiscal impact analysis is required for submittals that substantially impact the future fiscal health of the City of Reno to comply with annexation provisions set forth in NRS Chapter 268, Reno Municipal Code, and the City of Reno Master Plan.

The fiscal impact analysis (FIA) is one of many tools the City of Reno relies on to evaluate development requests. The results of a FIA should not be the sole determinate for approval or disapproval of a development application. The fiscal impact of a development request is dependent on several factors, including its mixture of planned uses. It is likely that some requests will be shown to have a negative fiscal impact, which may be due to the proposed uses. However, the proposed development request may have many other benefits that outweigh a negative fiscal impact, including other fiscal or financial related impacts that are not accounted for in the model. Ultimately, the fiscal impact analysis tool assists in the review of development proposals, but is one of several factors used to assess impacts of development requests on the City. Noting this, a negative fiscal impact does not necessarily indicate a request would not benefit the City and should be denied and

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the City may approve or deny a development request independent of fiscal impact analysis results.

The following development requests require a fiscal impact analysis:

- Annexations: Master Plan Policy 2.1D: Pursue and/or consider requests for annexation that... Do not create a fiscal burden or mitigate fiscal burdens to the City based on a fiscal impact analysis and mitigation plan for expected/desired future land use designations.
 - Applicable requests include:
 - Annexation requests for areas over 20 acres in size
- Large Development Requests: MP-2.1b. Require a fiscal impact analysis be completed as part of large development requests and PUDs, as well as major amendments to PUDs.
 - Applicable requests are listed below. The fiscal impact analysis should compare the fiscal impact of development under current and proposed designations where applicable.
 - Master Plan Amendments for areas over 20 acres in size
 - Zoning Map Amendments over 20 acres in size
 - Planned Unit Developments over 20 acres in size
 - Major amendments to existing PUDs

Fiscal Analysis Methodology

The purpose of fiscal impact analysis is to provide an objective estimate of the costs and revenue impacts to the City of anticipated new development. The analysis compares the estimated revenues generated by new development to the estimated costs of public services required to serve the development to determine the net fiscal impact. The fiscal impact analysis should analyze impacts to the City of Reno's General Fund and Street Fund. These funds are directly impacted by new development and/or are not cost recovery funds where fees for services are tied to cost to provide services.

Revenues and costs are estimated based on the budgets for each fund and department, and an assessment of potential effects of different types of development on each department or budget category. Certain revenue items are estimated using "case study" approaches based on formulas; for example, property tax is based on estimated assessed values multiplied by the applicable tax rates. Other items, such as public service costs related to residential development, are based on average cost factors (such as "per capita" estimate). The revenue sources and expenditures that have the largest impact on the budget and are most directly tied to growth have specific case study factors developed for them, while other revenues and expenditures will be estimated using average cost factors.

Average Cost Nexus Factors

Nexus factors were developed that relate to the specific budget item being estimated to the service population or other metric that is best associated with the impact. The nexus factors and approach to calculation are described below.

- **Peak Persons Served (Residents and Employees)** – Many services are affected by growth in both residents and employees. The purpose of this factor is to derive a peak population of persons served within the City. The number of people each use generates is estimated on average person generation factor for each use (average residents per household for single family and multifamily, and the average number of employees per square foot for retail, office, and industrial). Using the persons served approach means each

new use will generate a number of people (i.e., one new single-family housing unit will generate 2.5 people) which will be used to estimate costs and revenues based on the number of people use generates and average cost per person. The resident generation rates for residential units are shown in **Table 1**.

- **Per Unit** – Functions, such as business or liquor licenses, that serve specific land uses, such as commercial development, were developed using a unit factor of 1,000 square feet of commercial/industrial space per unit or per residential unit. These factors were converted to relate to employees generated using the following factors in **Table 1**.

Table 1
Resident and Employee Generation Factors

Product Type	Factor
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	Residents per
Residential	Unit
Single Family Detached	2.5
Attached	2.0
Multifamily	2.0
	Gross Sq. Ft. per
Commercial/Industrial	Employee
Retail	500-750
Office	250-500
Industrial	750-2,000
Hotel	1,000

Source: Economic & Planning Systems

- **Pavement Square Feet** – Impacts to the Street Fund are estimated on the basis of square feet of pavement maintenance and utilize the City's current inventory of street pavement to estimate expenditures related to maintenance and capital improvements. The City maintains local and collector roads and, as a result, a new development's impact will be evaluated based on the amount of new pavement (square feet) needed to serve the development and the average cost of maintenance and capital replacement per square foot of pavement.

Fixed and Variable Cost Adjustments

Directly applying the factors described above to new growth would be equivalent to using the average cost for each item, which can overstate cost impacts. For local governments whose services are at or near capacity, the average cost method is a generally accepted technique for estimating fiscal impacts. However, many functions still need to be adjusted to account for higher levels of fixed cost and/or a less direct relation to growth. The following process and assumptions were used in developing the "Percent Variable" adjustments to average costs.

- **Administrative and General Government** – Departments such as the City Council, City Manager, finance, communications and technology, human resources, and other department management functions have a high level of fixed costs regardless of the size of a City.

Costs in these types of departments and functions are estimated to be 25 or 100 percent variable dependent on impact of growth.

- **Growth Impacted Departments** – These include services such as development services (community development), parks and recreation, public works, municipal court, fire, police, and dispatch. These types of services are estimated to be much more closely related to growth and increased population and are modeled using the average cost methodology or 100 percent variable.
- **Functions with No Nexus or Relevance** – Some City functions were determined not to have any relationship to real estate development projects.

Fiscal Impact Analysis Approach

The needed inputs and recommended approach for developing a fiscal impact analysis is described below.

Required Model Inputs

The data model inputs needed to complete the fiscal model should be clearly defined and documented. The following data points are needed complete the fiscal impact analysis:

- Size of development request (land acres)
 - Total and developed
 - Acres by Use (single family, attached, multifamily, retail, office, industrial, etc.)
- Existing land uses and estimated development
 - Total number of residential units by type (single family, attached, multifamily)
 - Total number of commercial/industrial square feet (retail, office, industrial, flex, hospitality)
 - Number of centerline miles for streets that will be maintained by the City of Reno (local roads).
- Proposed land uses and estimated development
 - Total number of residential units by type (single family, attached, multifamily)
 - Total number of commercial/industrial square feet (retail, office, industrial, flex, hospitality)
 - Number of centerline miles for streets that will be maintained by the City of Reno (local roads).
- Market Value and Development Absorption
 - Estimate market value per housing type (single family, attached, multifamily) used to estimate property tax generation
 - Number of years estimated for build-out and estimate annual absorption (# of units) of proposed housing by type (single family, attached, multifamily)
 - Estimated market value per commercial/industrial space (retail, office, industrial, flex, hospitality) used to estimate property tax generation
 - Number of years estimated for build-out and estimate annual absorption (square feet) of proposed commercial and industrial space by use

Analysis Time-frame

The analysis should utilize a 10 and 20 year time frame for estimating impact. The annual net fiscal impact and cumulative impact over 10 and 20 years should be documented. Any portion of the proposed development estimated not to be built within the 20-year horizon should not be

included in the estimated revenues and costs. However any infrastructure, specifically local roads, which must be built to serve any portion of the development request, should be included.

Calculating City Revenues

A description of the methodology used to estimate the City's primary revenue sources is provided below.

CTAX

Due to the way the State of Nevada collects and distributes CTAX, the generation of sales tax from new development is based on the forecasted growth of the County and the use of a peak person factor that ties retail sales to the number people generated by a use and not where the actual retail sale is made. The Base Distribution is assumed to have no nexus to growth and as a result is NOT to be estimated, which equates to 80 percent of CTAX generated.¹ The remaining 20 percent that makes up the Excess distribution is forecasted based on a peak person served methodology. The factors to be utilized in the fiscal impact analysis to estimate CTAX are show in **Table 2**.

Property Tax

Property tax should be calculated by the applicant based on estimates of the average value of new development by each major land use type (single family, multifamily, office, retail, industrial, and hospitality). The estimated average value should be factored down to 35 percent to estimate the assessed value of new development, and the property tax rate for the City's General Fund (\$0.7300 per \$100 of assessed value) and the Street Fund (\$0.2298 per \$100 of assessed value) will be applied to estimate property tax.

Due to the property taxation structure in Nevada and the impact of depreciation on assessed property values and corresponding property taxes, a rate of 0.5 percent of property appreciation should be applied annually to property values used to estimate property tax revenue. This rate is based off a review of tax records for properties in Washoe County from 2000 to 2018.

Other Revenue Sources

The majority of other revenue sources are estimated using a peak person served factor, with the exception of a few revenue sources, specifically liquor licenses (attributed to retail and hospitality uses) and business license revenues. Revenues generated through the Business License fee and percentages of gross receipts are calculated using a hybrid approach. Fifty percent (50%) of the revenue from business licenses is attributed to growth in the number of residents and non-resident employees generated by the request. The other 50% is attributed to growth in commercial and industrial space (based on new employment generation). The approach was blended to develop on factor for calculating Business License revenues, as show in **Table 2**. Non-CTAX and Property tax revenues should be utilize an annual growth rate of 1.0% over the analysis period. The factors to use are shown in **Table 2**.

¹ In order to avoid overstating expenditures, revenues the City receives from the Base Distribution were subtracted from annual expenditures based on a pro rata share of each expenditure item's proportion of the total.

Table 2
General Fund and Streets Fund Annual Revenue Factors

Revenue	Revenue Factors						
	Single-Family per unit	Attached per unit	Multifamily per unit	Retail/Restaurant per Employee	Office per Employee	Industrial per Employee	Lodging per Employee
General Fund							
Consolidated Tax	\$107.65	\$80.46	\$80.46	\$21.92	\$21.92	\$21.92	\$21.92
Business License, Liquor License	\$62.53	\$46.74	\$46.74	\$59.97	\$59.97	\$59.97	\$59.97
Fees, Permits, Charge for Services Misc	\$179.75	\$134.14	\$134.14	\$105.99	\$42.48	\$44.02	\$46.66
Streets Fund							
Fees, Licenses & Permits	\$76.93	\$57.50	\$57.50	\$15.67	\$15.67	\$15.67	\$15.67

Source: City of Reno; Economic & Planning Systems

Calculating City Expenditures

The expenditures in the General Fund and Street Fund are estimated using a peak person served factor or a per unit factor depending on the specific sub-department. For Police, Fire, and Street Maintenance, specific factors or “case studies” are used to estimate factors for the fiscal impacts.

Police

The impact on police services is based on the calls for service generated by a particular land use. This approach closely ties the cost of police service to the uses that are generating that service. The estimated cost per unit (residential) and per employee generated (commercial/industrial) are shown in **Table 3**. Police expenditures should be escalated by 5% annually to reflect the increase in costs to the City of Reno annually police service.

Fire

The Fire Department aims to meet certain level of service targets that are related to response time. Unlike a police officer that is typically out on patrol while on duty, firefighters and their fire engines typically return to the station in between calls. As well, in areas with lower population and employment density, the call volume for a fire station can be much less than for a station in a more densely populated area. Therefore, the impact of new development can vary depending on its location within the City. Based on interviews with the Fire Department, the City of Reno was divided into quadrants related to fire service areas. Each quadrant has its own cost factor. Please refer to **Figure 1** and **Table 3** to determine which cost factor to apply based on the subject property’s fire service quadrant. Fire expenditures should be escalated by 3.5% annually to reflect the increase in costs to the City of Reno annually for fire service.

A proposed development request may increase the staffing needs at the fire station that serves it. Requests within fire station service areas that are at or near capacity in terms of staffing capacity need to reflect a higher cost for service due to the needed increased staffing capacity. The Fire Department will determine if the development request triggers the need for increased staffing during review of the application. If a request is deemed to trigger increased staffing capacity at a station, then the applicant should apply a 40% increase to the fire cost factors shown below.

Other General Fund Expenditures

The remainder of General Fund expenditures are estimated using a per person served average cost factor shown in **Table 3**. General Government and Parks costs should be escalated by 1% annually. If the development request seeks to establish a PUD and the PUD identifies park land is

to be maintained by a Home Owners Association (HOA) or other similar mechanism and not by the City of Reno, then a reduced cost factor should be utilized as shown below.

Table 3
General Fund Annual Expenditure Factors

Expenditures	Expenditure Factors						
	Single-Family per unit	Attached per unit	Multifamily per unit	Retail/Restaurant per Employee	Office per Employee	Industrial per Employee	Lodging per Employee
General Fund							
General Government	\$165.05	\$123.36	\$123.36	\$33.61	\$33.61	\$33.61	\$33.61
Police	\$177.90	\$121.69	\$121.69	\$265.35	\$47.33	\$127.95	\$265.35
Fire (City-wide)							
Central Quadrant	\$218.58	\$163.37	\$163.37	\$44.51	\$44.51	\$44.51	\$44.51
North Quadrant	\$263.17	\$196.70	\$196.70	\$53.59	\$53.59	\$53.59	\$53.59
South Quadrant	\$170.11	\$127.15	\$127.15	\$34.64	\$34.64	\$34.64	\$34.64
West Quadrant	\$244.55	\$182.78	\$182.78	\$49.80	\$49.80	\$49.80	\$49.80
Parks							
City Maintained Parks	\$45.49	\$34.00	\$34.00	\$9.26	\$9.26	\$9.26	\$9.26
HOA Maintained Parks	\$27.03	\$20.20	\$20.20	\$5.50	\$5.50	\$5.50	\$5.50

Source: City of Reno; Economic & Planning Systems

Street Fund

Expenditures for the Street Fund are estimated based on the cost to maintain the local roads needed to serve the proposed development request. The expenditures consist of two components. First is the Regular Maintenance cost for roads in the City of Reno which includes paint and signs, street sweeping, pavement maintenance, traffic lights, snow and ice control, etc. An annual cost per square foot of pavement was developed using the annual budget for these items divided by the number of pavement square feet the City of Reno maintains. The estimated annual cost is \$0.08 per square foot as shown in **Table 4**. This factor should be applied to the total number of pavement square feet of new streets needed within the development. The second expenditure component is the capital maintenance cost of the roadways needed within the development. The total 35-year lifecycle cost of one square foot for a local/residential street is \$10.80. This equates to an annual cost of \$0.31 per square foot as shown in **Table 4**. This factor should be applied to total number of pavement square feet of new local roads to be maintained by the City of Reno. If the development request seeks to establish a PUD and the PUD identifies local roads will be privately owned and maintained by the Home Owners Association (HOA) or other similar mechanism and not by the City of Reno, then these roads should not be factored into the analysis.

Table 4
Street Fund Expenditure Factors

Description	Total Cost	Annual Cost
Major Capital Maintenance (35-year Lifecycle) Collector/Local/Residential	per square foot \$10.80	per square foot \$0.31
Regular Maintenance (Annual)		
Annual Regular Maintenance Budget (less Capital and Debt Service)		\$11,475,541
Pavement Square Feet Maintained		152,766,256
Annual Regular Maintenance Cost per Pavement Square Foot		\$0.08

Source: City of Reno

Level of Service Targets

The City of Reno has developed concurrency requirements and Level of Service targets for new development to meet for water, wastewater/sewer, flood control management and storm drainage, transportation, police protection, fire protection, schools, and parks and recreation needs. These concurrency requirements and Level of Service targets are described in Chapter 4 of the City of Reno's Master Plan (Reimagine Reno). The Level of Service targets for water and wastewater/sewer are the same as the concurrency requirements for new development and must be met for approval. The Level of Service targets for Flood Control Management and Storm Drainage and Transportation vary depending on the location of anticipated development. Please refer to the concurrency requirements and Level of Service requirements for these services within Chapter 4 of the Master Plan. The Level of Service target for schools is set by the Washoe County School District.

The following services have identified Level of Service targets that 1) inform the type and location of facilities subject to concurrency requirements, and 2) are considered when reviewing the impact of discretionary development approvals. Please analyze how the development request meets the Level of Service targets for Police, Fire, and Parks and Recreation, and discuss mitigation measures to address deficiencies as applicable. The potential impacts to be considered and the Level of Service standards for Police, Fire, and Parks and Recreation are provided below.

Police Protection

The Reno Police Department generally strives for a Level of Service of 1.5 officers per 1,000 residents, but the actual service level varies by area and conditions. Applicants should estimate the number of police officers needed to serve the development utilizing the 1.5 officers per 1,000 residents. Employees generated by the request should be counted as residents to assess the peak population.

Police Service Questions:

- Provide an estimated number of officers needed annually over the 20-year horizon.
- Are mitigation measures proposed to address increases in police service that is needed as a result of the development (e.g. reporting station facilities in outlying service geographies)?

- If police facilities are anticipated, the estimated capital cost and funding mechanism should be identified.

Fire Protection

The Level of Service for fire protection is dependent on the density of development and the proximity to fire stations. Response times of four to six minutes are suitable for most types of residential or commercial services consistent with first due performance objectives. While these are not performance measurement standards, the City strives for response times as follows:

- **Urban areas.** First fire department response unit will arrive at a fire emergency or medical emergency within four minutes 30 seconds from time of dispatch 85 percent of the time.
- **Suburban areas.** First fire department response unit will arrive at a fire emergency or medical emergency within six minutes 30 seconds from time of dispatch 85 percent of the time.

The fire service areas based on response times for existing and potential future stations are provided in **Figure 2**. The density levels related to fire service are described in detail in Chapter 4 of the Master Plan. The density levels for Urban Areas and Suburban Areas follows under the following categories (Calculated as peak population, residents plus employees).

- Metro: 3,000 people per square mile
- Urban: 2,000 people per square mile
- Suburban: 1,000 to 2,000 people per square mile
- Rural: Less than 1,000 people per square mile

New development shall be limited to rural density or below in areas that will not reach minimum thresholds of development to operate a new fire station without creating a fiscal burden on the City (as described below).

Development occurring at urban-level densities, according to the Regional Standards of Cover, should not be approved in areas that are not projected to reach a service population of 15,000 people (employment and population) within the fire service area 10 years from a new fire station beginning to operate. Until a permanent fire station can be provided to serve the area, no more than 1,700 single-family units (or equivalent amount of commercial/industrial development) may be permitted in accordance with the Regional Standards of Cover for urban areas.

Fire Service Questions:

- What is the annual estimated population density of the development request?
 - The applicant should calculate population density using residents plus employees in each year divided by the total land area of the development (excluding land dedicated as public open space (not parks) or undevelopable).
- Is the development request located within a fire service area for an existing fire station based on the estimated population density of the request?
- If the development request is located within a fire service area for an existing fire station, can the population density of the request be served with existing facilities, apparatus, and staff? Please incorporate additional facility and apparatus needs within the level of service analysis and additional staffing needs within the fiscal impact analysis as follows:
 - If new fire facilities or apparatus are anticipated, the estimated cost and funding mechanism should be identified.

- If additional staff are needed, the additional fire staffing cost factor outlined on page six should be applied.

The applicant should work with the Reno Fire Department in advance of submitting the fiscal impact and level of service analysis. The Reno Fire Department will also review the fiscal impact and level of service analysis during their review of the proposed development request.

- If the development request is located outside an existing fire service area:
 - What mitigation efforts are anticipated to provide fire service protection until a station is built? (Refer to mitigation measures in Chapter 4 of the Master Plan). If new fire facilities are anticipated, the estimated cost and funding mechanism should be identified.
 - Can the development request be served with existing apparatus? If new fire apparatus are anticipated, the estimated cost and funding mechanism should be identified.
 - Will the area around the development reach a service population of 15,000 people (residents plus employees) within 10 years of a fire station beginning operation?
 - How many years will it take for the development to reach 1,700 units occupied (or equivalent employment)?

Parks and Recreation

Generally, most residents within the city shall be located within one-half mile of either a public park (neighborhood park or greater in size) or a privately-owned park or central gathering place. Although the quantity and types of park and recreational facilities available in a given location will vary, the total developed acres of parks per 1,000 residents should be based on the following level of service targets:

- Infill Areas - 2.0 acres per 1,000 residents
- New Development - 2.5 acres per 1,000 residents

In addition, at least 7 acres of open space or natural areas should be provided for every 1,000 residents. Access to public lands and trails at the urban/rural interface will be accounted for when evaluating targets.

Parks and Recreation Questions:

- How many residents are estimated to be generated by the development request? How many park acres are anticipated to be provided within the development? Is any open space that would be dedicated to the City being planned?
- Is the development request within one-half mile of a neighborhood, community, or regional park?
- If new park acreage is proposed as part of the development request, is it anticipated that the City maintain the park acreage?
- Are private parks anticipated to mitigate additional park maintenance costs? If so, what amenities are proposed?
- Does the development request provide access to open space or public lands?
- Does the development request propose open space that is required for non-recreational purposes (i.e., flood storage, drainage-way preservation)?

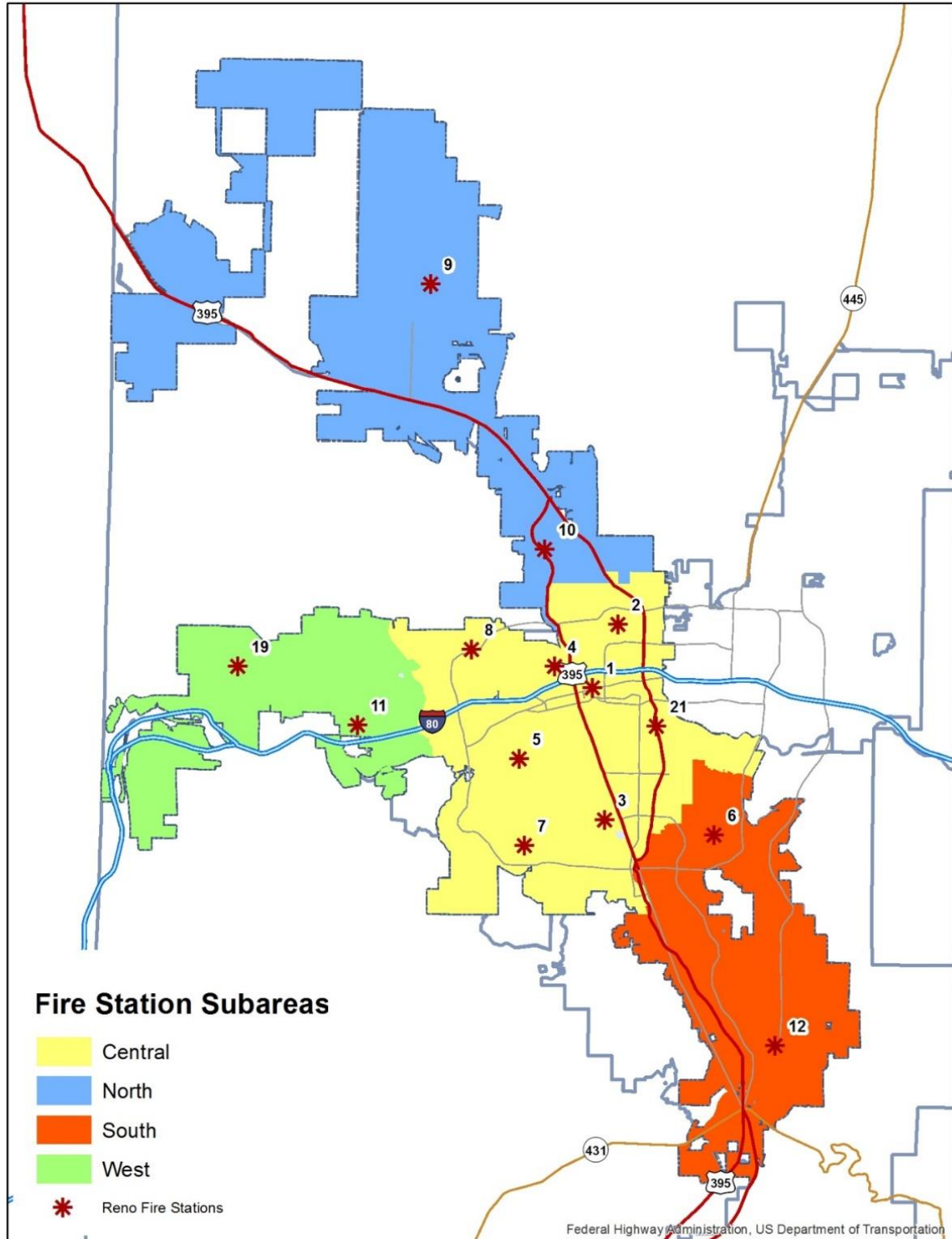
Public Works

Any roadways anticipated to be dedicated to the City of Reno need to be considered in the evaluation of the project's impacts. Provide a description of roadways (including roadway classification, number of new centerline miles, standard roadway ROW widths) anticipated to serve the development and roadway maintenance responsibility after roadways are constructed consistent with the Concurrency Management System.

Public Works Questions:

- If annexation is proposed:
 - o Would the City become responsible for existing streets as a result of the annexation?
 - o If so, are the existing roads constructed to standard roadway sections identified in the Public Works Design Manual or by the Regional Transportation Commission?
 - o If not, please provide a cost estimate to bring the existing road into compliance with applicable standard roadway sections.

Figure 1
Fire Service Quadrants



FIRE FACILITIES AND RESPONSE TIMES

CITY OF RENO
AND SPHERE OF INFLUENCE

Boundaries

- Reno Sphere of Influence (SOI)
- Reno City Limits
- Truckee Meadows Service Area (TMSA)

Fire Facilities

- Existing
- Future

Approximate Response Times

- Four Minutes
- Six Minutes
- Eight Minutes

Note: The response times are based on a travel speed of 25 mph. The response times shown on this map are approximate and for illustrative purposes only. Actual drive times on the existing roadway network will be used when making proposed developments.

Map produced: December 2017